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President Obama Releases Plan for Business Tax Reform – The current administration has recently released a comprehensive tax reform plan focused on mending a tax base that is lowered by loopholes and tax expenditures. The business tax reform outline is centered on five elements:

> **I. Eliminate dozens of tax loopholes and subsidies, broaden the base and cut the corporate tax rate to spur growth in America:** The Framework would eliminate dozens of different tax expenditures and fundamentally reform the business tax base to reduce distortions that hurt productivity and growth. It would reinvest these savings to lower the corporate tax rate to 28 percent, putting the United States in line with major competitor countries and encouraging greater investment in America.
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> **II. Strengthen American manufacturing and innovation:** The Framework would refocus the manufacturing deduction and use the savings to reduce the effective rate on manufacturing to no more than 25 percent, while encouraging greater research and development and the production of clean energy.
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> **III. Strengthen the international tax system, including establishing a new minimum tax on foreign earnings, to encourage domestic investment:** Our tax system should not give companies an incentive to locate production overseas or engage in accounting games to shift profits abroad, eroding the U.S. tax base. Introducing a minimum tax on foreign earnings would help address these problems and discourage a global race to the bottom in tax rates.
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> **IV. Simplify and cut taxes for America's small businesses:** Tax reform should make tax filing simpler for small businesses and entrepreneurs so that they can focus on growing their businesses rather than filling out tax returns.
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> **V. Restore fiscal responsibility and not add a dime to the deficit:** Business tax reform should be fully paid for and lead to greater fiscal responsibility than our current business tax system by either

Creating a business friendly environment is a matter of urgency, and we applaud the President for his report that outlines a tax reform plan. However, as the outline leaves out many specifics of implementation, we also impel careful consideration of small business.

Hispanic Labor Force Growth – According to recent projections from the Bureau of Labor Statistics, Hispanics will account for 74% of labor force growth across the country between 2010 and 2020. This rapid growth is the result of many factors, including Hispanic births and immigration, aging of non-Hispanic white labor force, and Hispanics having a higher rate of labor force participation than other groups. Noted by the Pew Research Center, these recent projections are much higher than the two previous decades: Hispanics accounted for 36% of labor force growth from 1990 to 2000 and for 54% from 2000 to 2010.

Increased Federal Small Business Goals – House Small Business Committee Chairman, Sam Graves, recently introduced a novel bill, the Government Efficiency Through Small Business Contracting Act of 2012, designed to incentivize federal contracting officers to meet their annual small business goals. If their agencies miss the federal 23% procurement goal, top agency officials would not be eligible for the bonuses they normally receive. Since these bonuses are often in the thousands of dollars per year, Congressman Graves feels these officials will pay more attention to their agencies' efforts to meet the annual small business goals.

Chairman Graves also introduced a bill to increase the federal agencies' small business contracting goal from 23 percent to 25 percent. In an era wherein federal procurement budgets routinely exceed $500 billion annually, the difference between 23% and 25% equates to an additional $10 billion per year for small business.

Graves' proposed legislation also increases the goal for small business participation in subcontracting from 35% to 40%. In a press release, Chairman Graves indicated that the legislation would "provide more opportunities for small businesses, which will help create jobs... considering small businesses create the majority of jobs... 65 percent over the last 17 years."

Payroll Tax Cut Extension Signed Into Law – Last week President Barack Obama signed into law a bipartisan agreement to extend the payroll tax cut until the end of 2012. Although this issue received less media coverage and attention than the extension agreed upon at the end of December 2011, it is critical to keep in mind how the law directly affects business owners and their employees. Without the agreement, the American economy undoubtedly would have suffered.

The $143 billion measure extends the 2 percentage-point reduction in the tax that funds Social Security in an effort to consistently aid the nation's gradual economic recovery. Had the law lapsed, 160 million American workers would pay 6.2% of their wages into Social Security. Now these workers will pay 4.2%, a break worth roughly $80 a month for workers earning $50,000 a year. The agreement also avoids a cut in reimbursement payments to doctors for treating Medicare patients and extends unemployment benefits for between 63 and 73 weeks.

As we stated months ago, the nonpartisan Congressional Budget Office found that a payroll tax reduction for employers is one of the most cost-effective policies. The CBO found that reducing the employer payroll tax could lower employment costs that would encourage some employers to reduce the prices of their goods and services in order to sell more, and higher sales would lead to increased production which would generate new jobs. Other employers would retain the savings as profits and others would use slightly more labor if it was less expensive. Finally, some employers might pass on the savings to their employees through higher wages.

President Obama Proposes Merging of Trade and Commerce Offices – The President recently laid out his proposal for a leaner, more efficient government by asking Congress for the power to restructure trade and commerce functions. Last held by President Reagan, Obama called on Congress for reorganizational power to merge the Small Business Administration, the Department of Commerce, the Office of U.S. Trade Representative, the Export-Import Bank, the Overseas Private Investment Corporation and the U.S. Trade and Development Agency.

As part of the proposal, Obama elevated the head of the Small Business Administration, Karen Mills, to a cabinet-level position where she will serve alongside the Obama Administration's most senior appointed officials. After the appointment, Mills commented, "I think this elevation represents a continuation of the focus that the President has had on small business since day one." The measure also received Congressional support. U.S. Senator Tom Carper said, "As chair of the Federal Financial Management subcommittee…I think this policy strikes the right balance of streamlining federal operations without fundamentally crippling agencies' ability to do their jobs effectively."